

PERAC AUDIT REPORT



Arlington Contributory Retirement System

JAN. 1, 2003 - DEC. 31, 2005 / PERAC 05-16



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PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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March 7, 2007

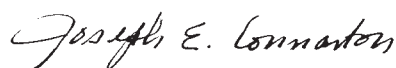
The Public Employee Retirement Administration Commission has completed an examination of the Arlington Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2003 to December 31, 2005. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion, the financial records are being maintained and the management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission. There are no significant findings to report.

We commend the Arlington Retirement Board for the exemplary operation of the system.

In closing, I acknowledge the work of examiners James Ryan and Carol Niemira who conducted this examination and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,



Joseph E. Connarton
Executive Director



Arlington Retirement System

STATEMENT OF LEDGER ASSETS AND LIABILITIES

**FOR THE THREE-YEAR PERIOD BEGINNING JANUARY 1, 2003
AND ENDING DECEMBER 31, 2005**

FOR THE PERIOD ENDING DECEMBER 31,			
ASSETS	2005	2004	2003
Cash	\$22,017	\$47,192	\$399,125
Short Term Investments	249,543	247,261	351,597
Fixed Income Securities	31,744,273	27,850,933	30,047,019
Equities	13,433,349	16,611,581	13,160,985
Pooled Short Term Funds	85,957	88,339	75,262
Pooled Domestic Equity Funds	56,982,973	57,720,331	52,047,829
Pooled International Equity Funds	23,159,209	19,811,118	17,355,781
Pooled Alternative Investment Funds	1,487,867	1,157,541	715,957
PRIT Cash Fund	0	0	0
PRIT Core Fund	0	0	0
Interest Due and Accrued	323,847	281,186	325,395
Accounts Receivable	13,320	134,726	137,059
Accounts Payable	(100)	0	(1)
TOTAL	<u>\$127,502,254</u>	<u>\$123,950,207</u>	<u>\$114,616,007</u>
FUND BALANCES			
Annuity Savings Fund	\$23,643,616	\$22,192,066	\$21,072,928
Annuity Reserve Fund	11,049,811	11,362,786	11,679,604
Pension Fund	20,182,711	23,626,130	27,476,014
Military Service Fund	7,246	4,117	0
Expense Fund	0	0	0
Pension Reserve Fund	<u>72,618,870</u>	<u>66,765,107</u>	<u>54,387,462</u>
TOTAL	<u>\$127,502,254</u>	<u>\$123,950,207</u>	<u>\$114,616,007</u>

Arlington Retirement System

STATEMENT OF CHANGES IN FUND BALANCES

**FOR THE THREE-YEAR PERIOD BEGINNING JANUARY 1, 2003
AND ENDING DECEMBER 31, 2005**

	Annuity Savings Fund	Annuity Reserve Fund	Pension Fund	Military Service Fund	Expense Fund	Pension Reserve Fund	Total All Funds
Beginning Balance (2003)	\$20,758,959	\$10,749,449	\$30,987,842	\$1,812	\$0	\$31,684,311	\$94,182,373
Receipts	2,697,977	336,101	6,930,924	0	563,238	22,703,530	33,231,770
Interfund Transfers	(2,115,745)	2,117,936	0	(1,812)	0	(379)	(0)
Disbursements	(268,263)	(1,523,882)	(10,442,753)	0	(563,238)	0	(12,798,136)
Ending Balance (2003)	21,072,928	11,679,604	27,476,014	0	0	54,387,462	114,616,007
Receipts	2,517,722	344,476	6,937,355	4,117	595,709	12,377,526	22,776,906
Interfund Transfers	(886,981)	886,863	0	0	0	119	0
Disbursements	(511,602)	(1,548,156)	(10,787,239)	0	(595,709)	0	(13,442,707)
Ending Balance (2004)	22,192,066	11,362,786	23,626,130	4,117	0	66,765,107	123,950,207
Receipts	2,651,298	329,080	7,599,216	3,128	531,144	5,848,537	16,962,403
Interfund Transfers	(870,895)	865,669	0	0	0	5,226	0
Disbursements	(328,854)	(1,507,724)	(11,042,635)	0	(531,144)	0	(13,410,357)
Ending Balance (2005)	<u>\$23,643,616</u>	<u>\$11,049,811</u>	<u>\$20,182,711</u>	<u>\$7,246</u>	<u>\$0</u>	<u>\$72,618,870</u>	<u>\$127,502,254</u>

Arlington Retirement System

STATEMENT OF INCOME

**FOR THE THREE-YEAR PERIOD BEGINNING JANUARY 1, 2003
AND ENDING DECEMBER 31, 2005**

	FOR THE PERIOD ENDING DECEMBER 31,		
	2005	2004	2003
Annuity Savings Fund:			
Members Deductions	\$2,240,011	\$2,138,079	\$1,992,319
Transfers from Other Systems	129,059	205,495	424,099
Member Make Up Payments and Redeposits	146,002	35,412	86,042
Member Payments from Rollovers	7,377	18,353	5,951
Investment Income Credited to Member Accounts	<u>128,849</u>	<u>120,383</u>	<u>189,565</u>
Sub Total	<u>2,651,298</u>	<u>2,517,722</u>	<u>2,697,977</u>
Annuity Reserve Fund:			
Investment Income Credited Annuity Reserve Fund	<u>329,080</u>	<u>344,476</u>	<u>336,101</u>
Pension Fund:			
3 (8) (c) Reimbursements from Other Systems	169,584	164,421	97,888
Received from Commonwealth for COLA and Survivor Benefits	649,757	338,143	649,747
Pension Fund Appropriation	<u>6,779,875</u>	<u>6,434,791</u>	<u>6,183,289</u>
Sub Total	<u>7,599,216</u>	<u>6,937,355</u>	<u>6,930,924</u>
Military Service Fund:			
Contribution Received from Municipality on Account of Military Service	3,104	4,117	0
Investment Income Credited Military Service Fund	<u>25</u>	<u>0</u>	<u>0</u>
Sub Total	<u>3,128</u>	<u>4,117</u>	<u>0</u>
Expense Fund:			
Investment Income Credited to Expense Fund	<u>531,144</u>	<u>595,709</u>	<u>563,238</u>
Sub Total	<u>531,144</u>	<u>595,709</u>	<u>563,238</u>
Pension Reserve Fund:			
Federal Grant Reimbursement	78,478	61,101	53,474
Interest Not Refunded	4,338	2,588	1,032
Miscellaneous Income	16,905	3,471	11,186
Excess Investment Income	<u>5,748,816</u>	<u>12,310,366</u>	<u>22,637,838</u>
Sub Total	<u>5,848,537</u>	<u>12,377,526</u>	<u>22,703,530</u>
TOTAL RECEIPTS	<u>\$16,962,403</u>	<u>\$22,776,906</u>	<u>\$33,231,770</u>

Arlington Retirement System

STATEMENT OF DISBURSEMENTS

**FOR THE THREE-YEAR PERIOD BEGINNING JANUARY 1, 2003
AND ENDING DECEMBER 31, 2005**

FOR THE PERIOD ENDING DECEMBER 31,			
Annuity Savings Fund:	2005	2004	2003
Refunds to Members	\$235,985	\$197,377	\$135,925
Transfers to Other Systems	<u>92,869</u>	<u>314,225</u>	<u>132,338</u>
Sub Total	<u>328,854</u>	<u>511,602</u>	<u>268,263</u>
Annuity Reserve Fund:			
Annuities Paid	1,503,675	1,489,212	1,431,412
Option B Refunds	<u>4,049</u>	<u>58,945</u>	<u>92,470</u>
Sub Total	<u>1,507,724</u>	<u>1,548,156</u>	<u>1,523,882</u>
Pension Fund:			
Pensions Paid			
Regular Pension Payments	7,430,373	7,384,173	7,153,554
Survivorship Payments	598,146	574,894	539,199
Ordinary Disability Payments	95,468	85,546	67,344
Accidental Disability Payments	2,168,914	2,094,517	2,048,667
Accidental Death Payments	283,281	223,776	230,322
Section 101 Benefits	143,613	148,207	164,912
3 (8) (c) Reimbursements to Other Systems	201,487	165,130	153,126
State Reimbursable COLA's Paid	121,353	110,996	85,628
Chapter 389 Beneficiary Increase Paid	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>11,042,635</u>	<u>10,787,239</u>	<u>10,442,753</u>
Military Service Fund:			
Return to Municipality for Members Who Withdrew Their Funds	<u>0</u>	<u>0</u>	<u>0</u>
Expense Fund:			
Board Member Stipend	18,000	18,000	18,000
Salaries	113,600	110,739	105,486
Legal Expenses	6,012	5,388	4,071
Medical Expenses	220	75	171
Fiduciary Insurance	6,685	6,911	4,265
Service Contracts	1,055	1,055	1,084
Travel Expenses	6,753	3,146	6,635
Administrative Expenses	5,005	4,581	4,124
Furniture and Equipment	2,621	3,773	914
Management Fees	267,609	320,405	316,488
Custodial Fees	32,429	38,745	32,666
Consultant Fees	<u>71,153</u>	<u>82,892</u>	<u>69,333</u>
Sub Total	<u>531,144</u>	<u>595,709</u>	<u>563,238</u>
TOTAL DISBURSEMENTS	<u>\$13,410,357</u>	<u>\$13,442,707</u>	<u>\$12,798,135</u>

Arlington Retirement System

INVESTMENT INCOME

**FOR THE THREE-YEAR PERIOD BEGINNING JANUARY 1, 2003
AND ENDING DECEMBER 31, 2005**

	FOR THE PERIOD ENDING DECEMBER 31,		
	2005	2004	2003
Investment Income Received From:			
Cash	\$852	\$317	\$536
Short Term Investments	20,247	8,098	12,270
Fixed Income	1,832,099	1,625,338	1,447,433
Equities	91,594	78,654	93,071
Pooled Funds	0	2,539	13,198
Commission Recapture	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL INVESTMENT INCOME	<u>1,944,792</u>	<u>1,714,945</u>	<u>1,566,508</u>
Plus:			
Realized Gains	254,181	972,138	2,464,935
Unrealized Gains	20,133,524	24,076,630	32,951,049
Interest Due and Accrued on Fixed Income Securities - Current Year	<u>323,847</u>	<u>281,186</u>	<u>325,395</u>
Sub Total	<u>20,711,552</u>	<u>25,329,954</u>	<u>35,741,379</u>
Less:			
Paid Accrued Interest on Fixed Income Securities	(109,852)	(53,378)	(83,023)
Realized Loss	(601,955)	(245,033)	(415,204)
Unrealized Loss	(14,925,438)	(13,050,160)	(12,768,179)
Interest Due and Accrued on Fixed Income Securities - Prior Year	<u>(281,186)</u>	<u>(325,395)</u>	<u>(314,738)</u>
Sub Total	<u>(15,918,430)</u>	<u>(13,673,965)</u>	<u>(13,581,144)</u>
NET INVESTMENT INCOME	<u>6,737,914</u>	<u>13,370,934</u>	<u>23,726,742</u>
Income Required:			
Annuity Savings Fund	128,849	120,383	189,565
Annuity Reserve Fund	329,080	344,476	336,101
Military Service Fund	25	0	0
Expense Fund	<u>531,144</u>	<u>595,709</u>	<u>563,238</u>
TOTAL INCOME REQUIRED	<u>989,098</u>	<u>1,060,568</u>	<u>1,088,903</u>
Net Investment Income	<u>6,737,914</u>	<u>13,370,934</u>	<u>23,726,742</u>
Less: Total Income Required	<u>989,098</u>	<u>1,060,568</u>	<u>1,088,903</u>
EXCESS INCOME TO THE PENSION RESERVE FUND	<u>\$5,748,816</u>	<u>\$12,310,366</u>	<u>\$22,637,838</u>

Arlington Retirement System

STATEMENT OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

FOR THE PERIOD ENDING DECEMBER 31, 2005

	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS	PERCENTAGE ALLOWED
Cash	\$22,017	0.02%	100
Short Term	249,543	0.20%	100
Fixed Income	31,744,273	24.96%	25-35
Equities	13,433,349	10.56%	45-55
Pooled Short Term Funds	85,957	0.07%	100
Pooled Domestic Equity Funds	56,982,973	44.81%	45-55
Pooled International Equity Funds	23,159,209	18.21%	10-20
Pooled Alternative Investment Funds	1,487,867	1.17%	10
PRIT Cash Fund	0	0.00%	
PRIT Core Fund	0	0.00%	100
GRAND TOTALS	<u>\$127,165,187</u>	<u>100.00%</u>	

All investments are reflected at their quoted market value.

For the year ending December 31, 2005, the rate of return for the investments of the Arlington Retirement System was 5.60%. For the five-year period ending December 31, 2005, the rate of return for the investments of the Arlington Retirement System averaged 4.03%. For the 21-year period ending December 31, 2005, since PERAC began evaluating the returns of the retirement systems, the rate of return of the investments of the Arlington Retirement System was 10.21%.

Arlington Retirement System

SUPPLEMENTARY INVESTMENT REGULATIONS

FOR THE THREE-YEAR PERIOD ENDING DECEMBER 31, 2005

The Arlington Retirement System submitted the following supplementary investment regulations, which were approved by PERAC on:

February 15, 1995

20.04(1)

United States based corporations and equities of foreign corporations.

20.07(5)

Equity investments shall be made only in securities listed on a United States stock exchange, traded over the counter in the United States, or listed and traded on a foreign exchange.

January 3, 1992

16.02(3)

The Board may incur expenses for investment advice or management of the funds of the system by a qualified investment manager and the board may incur expenses for consulting services. Such expenses may be charged against earned income from investment provided that the total of such expenses shall not exceed in any one year:

(a) 1% of the value of the fund for the first \$5 million; and

(b) 0.5% of the value of the fund in excess of \$5 million.

16.02(4)

The Board may employ a custodian bank and may charge such expenses against earned income from investments provided that such expenses shall not exceed in any one-year .08% of the value of the fund.

November 24, 1989

20.08(e)

Enrollment in the Securities Lending Program offered by State Street Bank & Trust Company.

Arlington Retirement System

NOTES TO FINANCIAL STATEMENTS

FOR THE THREE-YEAR PERIOD ENDING DECEMBER 31, 2005

NOTE 1 - THE SYSTEM

The plan is a contributory defined benefit plan covering all Arlington Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

Instituted in 1937, the System is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws. Membership in the plan is mandatory immediately upon the commencement of employment for all permanent, full-time employees.

The system provides for retirement allowance benefits up to a maximum of 80% of a member's highest three year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65 (for certain hazardous duty and public safety positions, normal retirement is at age 55).

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension. The average retirement benefit is approximately 75 - 85% pension and 15 - 25% annuity.

Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Members joining the retirement system after January 1, 1979 must contribute an additional 2% on regular compensation earned at a rate in excess of \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. These deductions are deposited in the Annuity Savings Fund and earn interest at a rate determined by the Executive Director of PERAC according to statute. When a member's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund. Any cost-of-living adjustment granted between 1981 and 1997 and any increase in other benefits imposed by state law during that period are borne by the state.

The pension portion of any retirement benefit is paid from the Pension Fund of the System. The governmental unit employing the member must annually appropriate and contribute the amount of current year pension payments as indicated on the most recent funding schedule as approved by PERAC's Actuary. Until recently, retirement systems were paying only the actual retirement

Arlington Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE-YEAR PERIOD ENDING DECEMBER 31, 2005

benefits that were due each year. Systems had no statutory authorization to put aside any money for the future benefits of employees who are now working. Large unfunded liabilities resulted from operating upon this pay-as-you-go basis. In 1977, legislation authorized local governments to appropriate funds to meet future pension obligations.

In 1983, additional legislation was passed requiring the transfer of investment earnings (in excess of the amount credited to member accounts) into the Pension Reserve Fund. These initiatives have significantly reduced the rate of growth of the retirement systems' unfunded liabilities, and in some systems have actually eliminated such liability.

Administrative expenses are funded through investment income of the system.

Members who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent upon several factors including: whether or not the disability is work related, the member's age, years of creditable service, level of compensation, veteran's status, and group classification.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive either zero (0%) percent, fifty (50%) percent, or one hundred (100%) percent of the regular interest which has accrued upon those deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Executive Director of Public Employee Retirement Administration Commission.

The Annuity Savings Fund is the fund in which members' contributions are deposited. Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Voluntary contributions, re-deposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

Arlington Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE-YEAR PERIOD ENDING DECEMBER 31, 2005

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS

The Arlington Retirement System submitted the following supplementary membership regulations, which were approved by PERAC on:

October 18, 2002

Re-title of Fire and Police Signal Operators

Any member holding the title "Communication Dispatcher" with the job description supplied replace the positions of "fire or police signal operators", as stated in Chapter 32, § 3(2)(g) Group 2.

Arlington Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE-YEAR PERIOD ENDING DECEMBER 31, 2005

SUPPLEMENTARY MEMBERSHIP REGULATIONS, CONTINUED

September 27, 2002

Travel Regulation

The Board has adopted a Supplementary Travel Regulation under the provisions of G.L. c. 7, § 50 and G.L. c. 32, § 21(4). (Regulation available upon written request.)

July 2, 2002

Non-elected Board Members

Non-elected board members who are compensated will be granted membership in the Arlington Contributory Retirement System. If a Board member's salary is \$2,500.00 annually or less, he/she shall be credited with one year of creditable service for every five years served. If a Board Member's annual salary is more than \$2,500.00, he/she shall be eligible for one year of creditable service for each year served. Board members who serve less than a full year will be eligible for proportional credit based upon the number of months served less than a year.

January 30, 2002

Elections

The Arlington Retirement Board shall conduct a simultaneous election for the two elected members of the Board. Both terms of the elected members shall be for three years and expire on the same date. In conducting the election, the Board shall place all candidates who have been nominated in conformance with 840 CMR 7.04 on one ballot. All eligible candidates shall be listed on the ballot in an order determined by a random drawing of the names of the candidates. In the event that only two candidates have been nominated, the Board shall declare said candidates to be the elected members of the Board, no elections shall be held, and said candidates shall take office and serve in all respects as though he or she had been elected by election. If there are more than two candidates, an election shall be conducted and each member of or retired from the Arlington Retirement Board shall be allowed to vote for not more than two candidates. Upon tabulation of the ballots, the two candidates who receive the most votes shall be declared the elected members of the Board. In the event of a vacancy, a new election shall be conducted to fill a vacancy as soon as practicable and the member elected shall serve for the unexpired portion of the vacant term.

March 21, 2000

Compensation

Regular compensation shall include:

- Base annual salary.
- Longevity pay.

Arlington Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE-YEAR PERIOD ENDING DECEMBER 31, 2005

SUPPLEMENTARY MEMBERSHIP REGULATIONS, CONTINUED

- Cost of living adjustments.
- Educational incentives.
- Night and shift differentials.
- Holiday pay for public safety positions.
- Auto allowance paid in a lump sum(s) not in the form of a reimbursement.
- Clothing allowance paid in a lump sum(s) not in the form of a reimbursement.
- Tool allowance paid in a lump sum(s) not in the form of a reimbursement.
- Salary paid for temporary promotions (working out of grade).
- The portion of a deferred pay raise that is considered regular compensation (applies to employees as previously provided by Town Meeting votes).
- Salary paid from federal grants which would otherwise be regular compensation.

Regular deductions for retirement shall be made from regular compensation.

Regular compensation shall not include:

- Overtime pay
- Payment for unused sick leave.
- Payment for unused vacation.
- Payment for unused personal days.
- Bonuses
- Any payment received solely as a result of giving notice of retirement.

This supplemental rule further defines regular compensation and is consistent with the provisions of G.L. c. 32 and the Commission's regulations.

July 27, 2000

Policy on Membership

- All permanent full-time employees shall be eligible for membership in the Arlington Contributory Retirement System upon the date of employment.
- Provisional, temporary, temporary provisional, intermittent, and seasonal employees as defined by the Town's personnel department shall not be eligible for membership unless otherwise required by law.
- Any active or inactive member who becomes a temporary, intermittent, or seasonal employee shall continue to be a member of the Retirement System.
- Pursuant to G.L. c. 32, section 3(2)(vi), elected officials may choose to become members of the Retirement System. Such officials must apply for membership within ninety days of assuming office.

Arlington Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE-YEAR PERIOD ENDING DECEMBER 31, 2005

NOTE 4 - ADMINISTRATION OF THE SYSTEM

The System is administered by a five person Board of Retirement consisting of the Town Comptroller who shall be a member ex officio, a second member appointed by the governing authority, a third and fourth member who shall be elected by the members in or retired from the service of such system, and a fifth member appointed by the other four board members.

Ex officio Member: Ruth Lewis

Appointed Member: Richard Keshian Term Expires: Indefinite

Elected Member: John Bilafer, Chairman Term Expires: 7/31/2008

Elected Member: Emelio Rosselli Term Expires: 7/31/2008

Appointed Member: Kenneth Steele Term Expires: 1/31/2006

The Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the system. The board must annually file a financial statement of condition for the system with the Executive Director of PERAC.

The investment of the system's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board and are then submitted to the PERAC Actuary for verification prior to payment. All expenses incurred by the System must be approved by at least two members of the Board.

The following retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts as follows:

Treasurer - Custodian:)	
Ex officio Member:)	Fiduciary Liability \$50,000,000
Elected Member:)	Fidelity Bond \$1,000,000
Appointed Member:)	MACRS Policy
Staff Employee:)	

Arlington Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE-YEAR PERIOD ENDING DECEMBER 31, 2005

NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by Stone Consulting, Inc. as of January 1, 2005.

The actuarial liability for active members was	\$70,359,828
The actuarial liability for inactive members was	693,909
The actuarial liability for retired members was	<u>102,197,210</u>
The total actuarial liability was	173,250,947
System assets as of that date were	<u>112,721,199</u>
The unfunded actuarial liability was	<u>\$60,529,748</u>
 The ratio of system's assets to total actuarial liability was	 65.1%
As of that date the total covered employee payroll was	\$25,308,397

The normal cost for employees on that date was 8.20% of payroll

The normal cost for the employer was 4.60% of payroll

The principal actuarial assumptions used in the valuation are as follows:

Investment Return: 7.75% per annum

Rate of Salary Increase: 4.75% per annum

GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2005

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Cov. Payroll ((b-a)/c)
1/1/2005	\$112,721,000	\$173,251,000	\$60,530,000	65.1%	\$25,308,000	239.2%
1/1/2004	\$103,154,000	\$167,816,000	\$64,662,000	61.5%	\$23,948,000	270.0%
1/1/2003	\$94,182,000	\$157,330,000	\$63,148,000	59.9%	\$23,557,000	268.1%
1/1/2002	\$111,128,000	\$153,452,000	\$42,324,000	72.4%	\$24,276,000	174.3%
1/1/2001	\$121,539,000	\$145,054,000	\$23,515,000	83.8%	\$22,747,000	103.4%

Arlington Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE-YEAR PERIOD ENDING DECEMBER 31, 2005

NOTE 6 - MEMBERSHIP EXHIBIT

Retirement in Past Years	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Superannuation	9	11	6	18	22	21	25	35	16	12
Ordinary Disability	0	0	0	1	0	0	0	2	2	1
Accidental Disability	0	1	1	2	0	1	3	1	0	1
Total Retirements	9	12	7	21	22	22	28	38	18	14
Total Retirees, Beneficiaries and Survivors	567	593	598	592	604	605	609	622	628	615
Total Active Members	685	691	697	697	700	719	762	684	748	685
Pension Payments										
Superannuation	\$4,382,624	\$4,559,534	\$4,923,290	\$5,254,608	\$5,617,951	\$6,003,744	\$6,418,063	\$7,153,554	\$7,384,173	\$7,430,373
Survivor/Beneficiary Payments	343,467	370,002	399,685	409,650	411,394	468,512	498,696	539,199	574,894	598,146
Ordinary Disability	101,939	76,416	6,933	74,687	64,316	48,555	40,613	67,344	85,546	95,468
Accidental Disability	1,847,728	1,842,662	1,916,595	1,904,519	1,977,214	1,972,293	2,005,014	2,048,667	2,094,517	2,168,914
Other	348,701	502,097	512,275	515,133	561,422	562,286	637,463	633,989	648,109	749,734
Total Payments for Year	\$7,024,459	\$7,350,711	\$7,758,778	\$8,158,597	\$8,632,297	\$9,055,390	\$9,599,848	\$10,442,753	\$10,787,239	\$11,042,635

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